

PERAC AUDIT REPORT



Bristol County Contributory
Retirement System



JAN. 1, 2011 - DEC. 31, 2013



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

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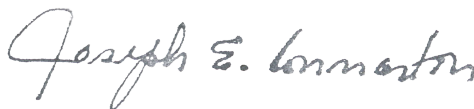
March 15, 2016

The Public Employee Retirement Administration Commission has completed an examination of the Bristol County Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2011 to December 31, 2013. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners William Walsh and Michael Pasternak who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

I. Retirees:

The auditor sampled retiree files to determine if the superannuation benefit was correctly calculated and that the payroll matched the approved monthly retirement allowance. This inspection disclosed that many Option C retiree files selected for review did not contain the required marriage certificate. When the spouse is the beneficiary, the marriage certificate is a critical document to help determine that the beneficiary listed on the option selection form is the same person listed on the marriage certificate. The birth certificates of two retirees selected for review were not included in the file contents. The birth certificate is the essential evidence in determining the exact age factor used when calculating a retirees' retirement allowance.

Recommendation: The Board must develop a comprehensive checklist of critical documentation required for retiree calculations. This procedure will help ensure that all necessary forms and records are on file to accurately determine a retirees' retirement allowance. This will enhance the Board's internal controls and minimize the potential for error in retirement allowance calculations.

Board Response:

Please note that this finding was never documented in previous audits, therefore we were unaware that we were not in compliance. The staff has since contacted our Option C retirees that have their spouse named as the beneficiary, to request copies of marriage certificates. We have had a high rate of success. It is also being requested from every new retiree. We have successfully petitioned PTG to add the marriage certificate to the fields that need to be completed within the system. The birth certificates of the 2 members have been obtained. A checklist is being created to ensure that all required documentation is on record .

2. Management Fees:

Our review disclosed the fees paid to several managers were directly withdrawn from the principal value of the invested funds. These fees were not disclosed for authorization by the Board and not reflected in the general ledger. They were not reported on Schedule 7 of the Annual Statement that required the disclosure of these fees. This method distorts the actual costs associated with the investments of the system. The investment consultant is a primary reference source for determining these fees. It is within the Board's fiduciary responsibility to review all management fees, including ones withdrawn directly from the principal value of the funds invested, to ensure that all fees are being determined based upon the contractual agreement between the Board and the manager. The source reports of the specific manager have been found to be a more reliable basis for the accounting entries than the reports provided by the custodian.

Recommendation: The Bristol County Retirement Board must provide an accurate accounting of all management fees pertaining to their investments. All management fees must be disclosed on Schedule 7 of the PERAC Annual Statement. These fees must be included on a warrant for ratification by the Board at its next regularly scheduled meeting. The Expense Fund should reflect the direct costs of the operation and activities of the Bristol County Retirement System.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Board Response:

Please note that this finding was never documented in previous audits, therefore we were unaware that we were not in compliance. Beginning with January 2015, the Assistant Director/Accountant, (hired in July 2014, took over in October 2014), has been working diligently to obtain and record the fees.

3. Member Contributions:

The Bristol County Retirement System includes 38 employer units, representing over 4,000 members. Confirming the accuracy of retirement contributions and pay codes in a multiple employer retirement system is an ongoing process. Members' contributions were sampled to determine that the correct rates are being assigned and withheld, and that the additional 2% deduction is withheld from those members who make over \$30,000 annually and were hired after January 1, 1979. The following observations were made:

- Shift Differential Pay was not subjected to retirement deductions for an employer unit.
- Retirement deductions are not being taken from the on-call pay of \$50 per pay period. This pay qualifies as regular compensation based on 840 CMR 15.03 (3) (a) and (b) which states that regular compensation is wages for "services performed" and that wages include "pre-determined, non-discretionary, guaranteed payments."
- Employees' 2% contribution rate did not increase after receiving a pay increase in April, 2015 in two different employer unit housing authorities.
- A type of compensation paid to one employee of a unit was subject to deduction for retirement, while the same type of compensation paid to all other employees of the same unit was not eligible for retirement and no deductions for retirement were taken.

Recommendation: The Board has a responsibility to enforce compliance with the current determination of regular compensation within the guidelines prescribed in 840 CMR 15.03. The payroll officials should be instructed to begin withholding retirement contributions from the types of compensation that qualify for retirement immediately. According to G.L. c. 32, § 22(1)(b)(2), 840 CMR 8.03, and PERAC MEMO #43/1999, all members who enter the system after January 1, 1979 and whose rate of pay on any given pay-period exceeds an annualized rate of \$30,000 are subject to the additional 2% withholding. The Board must instruct payroll officials to deduct the additional 2% every pay-period that earnings exceed this annualized rate of \$30,000. A complete payroll register should be obtained from selected member units to monitor and confirm compliance on a regular basis. This function will provide an additional layer of internal financial control to confirm that contributions are accurate and benefits are earned within the established rules.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Board Response:

This is an ongoing challenge. With 38 member units, we continually have dialogue with the payroll departments of our member units regarding pensionable status, turnovers within the member units does not help the situation. PTG is creating a product to possibly help with identifying incorrect deductions. We also hope to have additional staffing to comply with random audits of member units payrolls and pay codes.

4. Authorized Signatures:

The Authorized Representatives with transfer authority access to the State Street Bank and Trust Company and Ameriprise Trust Company accounts included former employees of the Retirement Board as authorized to initiate transactions. The signatory cards for the RBS Citizens Bank accounts gave authorization to the former Executive Director of the Bristol County Retirement System. Upon termination, a former employee should be immediately removed from any access to all bank and investment accounts. Proper internal controls dictate that records involving access to investment accounts must be monitored and modified in every occasion involving staff changes.

Recommendation: The Bristol County Retirement System must continually review who is listed as an authorized representative to all of their liquid funds belonging to investment and bank accounts, and remove anyone who should no longer have access to these funds.

Board Response:

The Executive Director has contacted investment managers to remove retired employees from access.

FINAL DETERMINATION:

PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2013	2012	2011
Net Assets Available For Benefits:			
Cash	\$10,687,990	\$12,459,511	\$14,686,993
Short Term Investments	0	328,666	1,304,898
Fixed Income Securities	56,353,388	61,452,656	53,530,860
Equities	144,121,857	103,128,626	73,612,727
Pooled Domestic Equity Funds	75,068,636	70,515,424	76,305,963
Pooled International Equity Funds	157,208,883	125,639,003	96,482,334
Pooled Domestic Fixed Income Funds	42,709,528	43,248,982	36,750,908
Pooled International Fixed Income Funds	14,467,075	14,985,595	13,518,824
Pooled Alternative Investment Funds	22,147,625	38,378,121	44,761,686
Pooled Real Estate Funds	12,224,520	12,577,215	13,498,211
Hedge Funds	26,667,558	0	0
Interest Due and Accrued	407,735	483,059	569,295
Accounts Receivable	2,041,646	2,457,072	942,428
Premises and Equipment, Net	310,900	310,900	360,100
Accounts Payable	(1,968,496)	(2,321,076)	(391,799)
Total	<u>\$562,448,846</u>	<u>\$483,643,753</u>	<u>\$425,933,429</u>
Fund Balances:			
Annuity Savings Fund	\$136,564,014	\$131,486,947	\$127,238,572
Annuity Reserve Fund	45,028,287	44,080,991	42,543,400
Pension Fund	9,530,595	10,007,870	2,422,223
Military Service Fund	65,418	50,488	46,032
Expense Fund	0	0	0
Pension Reserve Fund	<u>371,260,532</u>	<u>298,017,457</u>	<u>253,683,202</u>
Total	<u>\$562,448,846</u>	<u>\$483,643,753</u>	<u>\$425,933,429</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2011)	\$123,668,653	\$39,111,571	\$9,213,112	\$45,940	\$0	\$263,518,460	\$435,557,735
Receipts	13,740,209	1,189,259	30,654,670	92	3,891,308	(9,831,558)	39,643,979
Interfund Transfers	(8,371,936)	8,375,636	0	0	0	(3,700)	(0)
Disbursements	(1,798,353)	(6,133,066)	(37,445,559)	0	(3,891,308)	0	(49,268,286)
Ending Balance (2011)	127,238,572	42,543,400	2,422,223	46,032	0	253,683,202	425,933,429
Receipts	13,742,319	1,276,574	31,486,914	4,456	4,130,129	60,704,144	111,344,537
Interfund Transfers	(7,283,315)	7,252,797	16,400,406	0	0	(16,369,889)	0
Disbursements	(2,210,630)	(6,991,780)	(40,301,674)	0	(4,130,129)	0	(53,634,212)
Ending Balance (2012)	131,486,947	44,080,991	10,007,870	50,488	0	298,017,457	483,643,753
Receipts	14,062,231	1,315,381	31,953,031	14,930	4,426,854	83,275,815	135,048,241
Interfund Transfers	(7,042,347)	7,042,347	10,032,740	0	0	(10,032,740)	0
Disbursements	(1,942,817)	(7,410,432)	(42,463,046)	0	(4,426,854)	0	(56,243,149)
Ending Balance (2013)	<u>\$136,564,014</u>	<u>\$45,028,287</u>	<u>\$9,530,594</u>	<u>\$65,418</u>	<u>\$0</u>	<u>\$371,260,532</u>	<u>\$562,448,845</u>

STATEMENT OF RECEIPTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2013	2012	2011
Annuity Savings Fund:			
Members Deductions	\$12,794,529	\$12,309,484	\$12,083,934
Transfers from Other Systems	755,333	921,401	1,065,789
Member Make Up Payments and Re-deposits	121,726	165,927	191,812
Member Payments from Rollovers	194,975	175,455	138,633
Investment Income Credited to Member Accounts	195,669	170,052	260,041
Sub Total	<u>14,062,231</u>	<u>13,742,319</u>	<u>13,740,209</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>1,315,381</u>	<u>1,276,574</u>	<u>1,189,259</u>
Sub Total	<u>1,315,381</u>	<u>1,276,574</u>	<u>1,189,259</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	1,152,723	1,046,057	972,260
Received from Commonwealth for COLA and Survivor Benefits	591,272	981,862	348,774
Pension Fund Appropriation	30,209,035	29,455,998	29,333,635
Recovery of 91A Overearnings	<u>0</u>	<u>2,997</u>	<u>0</u>
Sub Total	<u>31,953,031</u>	<u>31,486,914</u>	<u>30,654,670</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	14,880	4,410	0
Investment Income Credited to the Military Service Fund	<u>50</u>	<u>46</u>	<u>92</u>
Sub Total	<u>14,930</u>	<u>4,456</u>	<u>92</u>
Expense Fund:			
Investment Income Credited to the Expense Fund	<u>4,426,854</u>	<u>4,130,129</u>	<u>3,891,308</u>
Sub Total	<u>4,426,854</u>	<u>4,130,129</u>	<u>3,891,308</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	30,091	62,531	50,245
Interest Not Refunded	22,146	2,004	3,052
Miscellaneous Income	11	7	(5)
Excess Investment Income (Loss)	<u>83,223,568</u>	<u>60,639,602</u>	<u>(9,884,850)</u>
Sub Total	<u>83,275,815</u>	<u>60,704,144</u>	<u>(9,831,558)</u>
Total Receipts, Net	<u>\$135,048,241</u>	<u>\$111,344,537</u>	<u>\$39,643,979</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2013	2012	2011
Annuity Savings Fund:			
Refunds to Members	\$1,227,771	\$1,443,608	\$989,036
Transfers to Other Systems	<u>715,046</u>	<u>767,022</u>	<u>809,317</u>
Sub Total	<u>1,942,817</u>	<u>2,210,630</u>	<u>1,798,353</u>
Annuity Reserve Fund:			
Annuities Paid	7,230,348	6,720,595	6,133,066
Option B Refunds	<u>180,084</u>	<u>271,185</u>	<u>0</u>
Sub Total	<u>7,410,432</u>	<u>6,991,780</u>	<u>6,133,066</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	29,819,456	28,064,029	25,845,247
Survivorship Payments	1,974,000	1,873,629	1,681,132
Ordinary Disability Payments	390,826	369,303	391,812
Accidental Disability Payments	7,101,766	6,954,171	6,590,938
Accidental Death Payments	924,996	905,236	846,606
Section 101 Benefits	167,563	175,553	167,198
3 (8) (c) Reimbursements to Other Systems	2,084,440	1,959,753	1,922,627
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>42,463,046</u>	<u>40,301,674</u>	<u>37,445,559</u>
Expense Fund:			
Board Member Stipend	22,129	18,750	15,000
Salaries	349,077	346,381	316,481
Legal Expenses	121,369	116,736	120,071
Travel Expenses	14,215	2,020	14,041
Administrative Expenses	252,980	230,516	246,182
Professional Services	2,000	0	2,900
Actuarial Services	0	11,000	0
Furniture and Equipment	2,281	7,050	0
Management Fees	3,007,418	2,674,724	2,511,186
Custodial Fees	430,476	502,424	454,986
Consultant Fees	145,979	143,402	138,671
Service Contracts	38,660	36,902	32,649
Fiduciary Insurance	40,270	40,225	39,141
Sub Total	<u>4,426,854</u>	<u>4,130,129</u>	<u>3,891,308</u>
Total Disbursements	<u>\$56,243,149</u>	<u>\$53,634,212</u>	<u>\$49,268,286</u>

INVESTMENT INCOME

FOR THE PERIOD ENDING DECEMBER 31,			
	2013	2012	2011
Investment Income Received From:			
Cash	\$539	\$3,081	\$5,868
Short Term Investments	0	64	75
Fixed Income	1,925,502	2,181,871	2,220,328
Equities	2,756,300	2,456,287	1,194,862
Pooled or Mutual Funds	5,662,319	5,233,990	6,678,008
Commission Recapture	0	0	72,479
Total Investment Income	<u>10,344,660</u>	<u>9,875,294</u>	<u>10,171,620</u>
Plus:			
Realized Gains	32,426,033	8,386,384	8,111,569
Unrealized Gains	80,470,797	75,716,792	39,696,894
Interest Due and Accrued - Current Year	<u>407,735</u>	<u>483,059</u>	<u>569,295</u>
Sub Total	<u>113,304,566</u>	<u>84,586,234</u>	<u>48,377,758</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	(115,863)	(185,244)	(80,983)
Realized Loss	(4,514,579)	(8,014,304)	(6,006,647)
Unrealized Loss	(29,374,205)	(19,476,283)	(56,366,785)
Interest Due and Accrued - Prior Year	<u>(483,059)</u>	<u>(569,295)</u>	<u>(639,114)</u>
Sub Total	<u>(34,487,706)</u>	<u>(28,245,126)</u>	<u>(63,093,529)</u>
Net Investment Income	<u>89,161,521</u>	<u>66,216,403</u>	<u>(4,544,151)</u>
Income Required:			
Annuity Savings Fund	195,669	170,052	260,041
Annuity Reserve Fund	1,315,381	1,276,574	1,189,259
Military Service Fund	50	46	92
Expense Fund	<u>4,426,854</u>	<u>4,130,129</u>	<u>3,891,308</u>
Total Income Required	<u>5,937,953</u>	<u>5,576,801</u>	<u>5,340,699</u>
Net Investment Income (Loss)	<u>89,161,521</u>	<u>66,216,403</u>	<u>(4,544,151)</u>
Less: Total Income Required	<u>5,937,953</u>	<u>5,576,801</u>	<u>5,340,699</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$83,223,568</u>	<u>\$60,639,602</u>	<u>(\$9,884,850)</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2013		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$10,687,990	1.9%
Fixed Income Securities (at book value)	56,353,388	10.0%
Equities	144,121,857	25.7%
Pooled Domestic Equity Funds	75,068,636	13.4%
Pooled International Equity Funds	157,208,883	28.0%
Pooled Domestic Fixed Income Funds	42,709,528	7.6%
Pooled International Fixed Income Funds	14,467,075	2.6%
Pooled Alternative Investment Funds	22,147,625	3.9%
Pooled Real Estate Funds	12,224,520	2.2%
Hedge Funds	26,667,558	4.7%
Grand Total	\$561,657,060	100.0%

For the year ending December 31, 2013, the rate of return for the investments of the Bristol County Retirement System was 18.43%. For the five-year period ending December 31, 2013, the rate of return for the investments of the Bristol County Retirement System averaged 13.48%. For the 29-year period ending December 31, 2013, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Bristol County Retirement System was 9.25%.

The composite rate of return for all retirement systems for the year ending December 31, 2013 was 15.57%. For the five-year period ending December 31, 2013, the composite rate of return for the investments of all retirement systems averaged 12.13%. For the 29-year period ending December 31, 2013, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.49%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Bristol County Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

March 31, 2010

21.01(I)

The Bristol County Retirement Board has voted to invest \$5 million in the INVESCO Mortgage Recovery Fund. This investment is part of the Public Private Investment Program (PPIP) sponsored by the U.S. Department of the Treasury. As part of the mandate of the PPIP investment program, the manager may invest using leverage of up to 3x.

March 19, 2010

21.01(I)

The Bristol County Retirement Board has voted to invest \$10 million in the Alliance Bernstein Legacy Securities Portfolio. This investment is part of the Public Private Investment Program (PPIP) sponsored by the U.S. Department of the Treasury. As part of the mandate of the PPIP investment program, the manager may invest using leverage up to 1x.

September 23, 2009

21.01(I)

The Bristol County Retirement Board has voted to invest \$10,000,000 in the TCW Special Mortgage Credits Fund III, L.P. This investment is part of the Public-Private Investment Program (PPIP) sponsored by the United States Department of the Treasury. As part of the mandate of the PPIP investment program, the manager may invest using leverage of up to 1x.

July 14, 2009

Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Bristol County Retirement Board may invest funds of the Bristol County Retirement System (the "System") in the fund known as RREEF America REIT II, Inc. (the "Fund"), and effective retroactively as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the assets of the System shall be deemed to include, for purposes of applying the rules set forth in 840 CMR 16.00 et seq., 17.00 et seq., and 840 CMR 21.01, the System's interest in the Fund but not any of the underlying assets of the Fund; provided that, at all times, the Fund qualifies as "real estate operating company" within the meaning of Employee Retirement Income Security Act of 1974, as amended and the regulations promulgated thereunder.

April 24, 2006

21.01(3)(4)(5)

The PIMCO Diversified Income Fund may use derivative securities, including U.S. and non-U.S. government futures, interest rate swaps, credit default swaps, options, and mortgage derivatives. The Fund's statement of objectives allows unlimited use of such instruments, but actual use has never exceeded 15% of the Fund's total market value and is not expected to appreciably exceed this level. The Board and its consultant are satisfied with PIMCO's capability and experience in the use of such derivatives

SUPPLEMENTARY INVESTMENT REGULATIONS (continued)

September 7, 2005

16.08

The Bristol County Retirement Board is authorized to invest in the BlackRock Apartment Value Fund III (AVF III). The board has been a satisfied investor in the predecessor fund, SSR Apartment Value Fund II, which is currently in a liquidation phase in which more than 100% of the Board's investment is expected to be returned by the time of the first capital call for AVF III. The acquisition of SSR Realty by BlackRock has resulted in no substantive changes either in personnel or in strategy for this program.

June 21, 2001

21.01(3)

The Bristol County Retirement System may utilize forward foreign exchange contracts with a gross value up to 60% of the international equity portfolio managed by Arrowstreet Capital, L.P. The purpose of these contracts is not to take or increase risk but to reduce risk by assuring that the portfolio's currency position is in line with the MSCI-EAFE benchmarks. To offset the effect of equity holdings that may be higher or lower than the country percentage represented in the benchmark, offsetting long and short positions in foreign currency contracts will be used to bring the portfolio's currency composition in line with the benchmark.

May 7, 2001

16.08

In accordance with PERAC Investment Guideline 99-3, the Bristol County Retirement Board may invest in Charles River Partnership XI. The Board has been an investor in Charles River Partnerships VII, VIII, IX, and X and has submitted information on those investments as well as other required documents.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Bristol County Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 105 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the State Police. The other 3 classes are as follows:

Group 1:

General employees, including clerical, administrative, technical and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6 % after achieving 30 years of creditable service.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A person who became a member before April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group 1, or
- attainment of age 55 with 10 years of service if classified in Group 2, or
- attainment of age 55 if classified in Group 4.

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

- For persons who became members prior to April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last 3 years (whether or not consecutive) preceding retirement.
- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.
- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.
- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 55. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s.6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”. “Maximum age” applies only to those employees classified in Group 4 who are subject to mandatory retirement.

Retirement Allowance: For persons who became members prior to April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$797.64 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$797.64 per year, per child (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries while in the performance of his duties that results in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death. In addition, an eligible family member may receive a one-time payment of \$100,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is \$9,000. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is \$12,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group 1 who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. For a member classified in Group 2 or Group 4, whose death occurred prior to the member's minimum superannuation retirement age, the benefit shall be calculated using an age 55 age factor. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000 unless the retirement system has accepted the local option increasing this minimum annual allowance to \$6,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. Only a certain portion of a retiree's total allowance is subject to a COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, Section 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of \$1,000. For many years the COLA base was calculated based upon the first \$12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. . Each increase in the base must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

NOTES TO FINANCIAL STATEMENTS (Continued)

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who is has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system. If a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-ration will not be undertaken. This is because such a person will receive a separate retirement allowance from each system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

Cash accounts are considered to be funds on deposit with banks and are available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23 (2) generally govern the investment practices of the system. The Board retains an investment consultant to closely monitor the implementation and performance of their investment strategy and advise them of the progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

NOTES TO FINANCIAL STATEMENTS (Continued)

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Bristol County Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

Membership

December 12, 1984

Part-time employees must become members of the retirement system provided the employee works 20 hours per week.

Creditable Service

March 2, 2010

Upon becoming a member of the Bristol County Retirement System, said member may purchase any past service as a part-time, provisional, temporary, temporary provisional, seasonal or intermittent employee of Bristol County or any of its member units, provided that the member remits to the Board the appropriate amount of contributions that would have been withheld, together with regular interest, had he or she been a member of the Retirement System at the time service was rendered.

It shall be the sole responsibility of the member to obtain, and provide to the Board, verification of this past service rendered, including but not limited to payroll records indicating the amount of compensation received and the amount of hours worked. In the event that any or all of such original documentation is unavailable, the Board may exercise its discretion pursuant to M.G.L. c. 32, sec. 20(5)(c)(I), on a case by case basis, to accept alternative documentation to verify said service.

For members who purchase such past service rendered as a part-time, provisional, temporary, temporary provisional, seasonal or intermittent employee of Bristol County or any of its member units, creditable service shall be prorated and calculated based on 1040 hours of compensated employment in the aggregate being equivalent to one (1) year of creditable service. Members shall be credited with full months and full years of past service rendered and purchased.

December 12, 1984

Creditable service for call fire fighters and reserve police officers prior to March 1, 1964, shall be credited at the rate of one month for every full year of service. Service subsequent to March 1, 1964, shall be credited at the rate of five years maximum for any length of service, provided the recipient was later appointed as a permanent member of the police or fire department.

November 22, 2002

The Bristol County Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations available upon written request, and are also available on the PERAC website <http://www.mass.gov/perac/bristoltravelreg.html>.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the County Treasurer who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member:	Christopher Saunders, Chairman	Term Expires:	01/5/21
Appointed Member:	Christine DeFontes	Term Expires:	12/31/17
Elected Member:	William Downey	Term Expires:	12/31/16
Elected Member:	Stephen Rivard	Term Expires:	01/5/18
Appointed Member:	Paul Kitchen	Term Expires:	Until a Successor is appointed

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

Retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. Fidelity insurance is the only required policy coverage under Ch. 32 §21 and §23 as well as 840 CMR 17.01. The policy is designed to cover specific intentional acts such as theft, fraud or embezzlement and also specify who commits such acts, most commonly employees of the system. This coverage reimburses the system for the losses it suffers as a result of its employees' actions. It does not insure the employees for their illegal acts. Statutorily required coverage is provided by the current fidelity insurance policy to a limit of \$1,000,000 with a \$10,000 deductible issued through Travelers Casualty and Surety Company. The system also has Fiduciary coverage to a limit of \$50,000,000 under a blanket policy issued through the Massachusetts Association of Contributory Retirement Systems.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Sherman Actuarial Services as of January 1, 2014.

The actuarial liability for active members was	\$361,162,447
The actuarial liability for retired and inactive members was	<u>479,139,261</u>
The total actuarial liability was	\$840,301,708
System assets as of that date were	<u>562,448,845</u>
The unfunded actuarial liability was	<u><u>\$277,852,863</u></u>
 The ratio of system's assets to total actuarial liability was	 66.9%
As of that date the total covered employee payroll was	\$141,877,055

The normal cost for employees on that date was 8.6% of payroll

The normal cost for the employer was 2.9% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum
 Rate of Salary Increase: 3.00% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2014	\$562,448,845	\$840,301,708	\$277,852,863	66.9%	\$141,877,055	195.8%
1/1/2012	\$460,572,977	\$776,734,414	\$316,161,437	59.3%	\$137,231,288	230.4%
1/1/2009	\$396,683,194	\$697,604,462	\$300,921,268	56.9%	\$158,880,971	189.4%
1/1/2007	\$390,706,111	\$593,767,462	\$203,061,351	65.8%	\$146,988,086	138.1%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Retirement in Past Years										
Superannuation	120	79	82	80	84	109	76	130	106	99
Ordinary Disability	3	1	1	2	1	3	0	0	1	1
Accidental Disability	10	11	15	15	11	5	5	5	6	5
Total Retirements	133	91	98	97	96	117	81	135	113	105
 Total Retirees, Beneficiaries and Survivors	1,860	2,000	2,020	2,039	2,062	2,104	2,154	2,234	2,289	2,323
 Total Active Members	4,213	3,994	4,168	4,210	4,139	4,132	3,535	3,560	3,552	3,183
Pension Payments										
Superannuation	\$16,228,237	\$17,350,356	\$18,563,707	\$19,748,052	\$20,967,065	\$22,499,563	\$24,040,882	\$25,845,247	\$28,064,029	\$29,819,456
Survivor/Beneficiary Payments	1,309,579	1,366,468	1,374,417	1,479,143	1,392,671	1,485,701	1,547,395	1,681,132	1,873,629	1,974,000
Ordinary Disability	338,053	337,846	333,185	395,820	366,050	401,401	371,176	391,812	369,303	390,826
Accidental Disability	4,002,682	4,298,546	4,742,136	5,234,038	5,868,962	6,094,845	6,618,122	6,590,938	6,954,171	7,101,766
Other	2,904,172	1,903,145	2,015,111	1,984,385	2,427,274	2,539,456	2,706,063	2,936,430	3,040,541	3,176,998
Total Payments for Year	<u>\$24,782,723</u>	<u>\$25,256,361</u>	<u>\$27,028,556</u>	<u>\$28,841,438</u>	<u>\$31,022,022</u>	<u>\$33,020,966</u>	<u>\$35,283,638</u>	<u>\$37,445,559</u>	<u>\$40,301,674</u>	<u>\$42,463,046</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PREMISES OWNED AND OCCUPIED

The Bristol County Retirement Board conducts the normal course of its administrative activities, counsels members and retirees, maintains the records, and holds the required regular public Board meetings in a commercial condominium unit situated at 645 County Street, County Crossing, Taunton, MA 02780. The offices are owned by County Crossing Realty Trust which is a Real Estate Trust fully owned by the Bristol County Retirement Board. The first unit, Condo Unit # 5 was acquired by purchase in 1995 for a price of \$83,967.32. The second unit Condo Unit # 4 was acquired by purchase in April 1997 for a price of \$105,000. The total original cost was \$188,967.32. The system values these acquired premises at an appraised value subject to comparable sales of local real estate. The value may be adjusted based upon those trends. As of December 31, 2013 the assessed value by the city of Taunton was \$310,900. There is no mortgage or other debt associated with these properties.

The Governmental Accounting Standards Board (GASB) Statement #34 requires that fixed asset records must be maintained by public entities in a complete, accurate, and detailed manner and that governments report all capital assets with the consideration of depreciation. It requires that fixed assets such as buildings be depreciated over their useful life. The Commonwealth of Massachusetts uses a term of 40 years for the useful life of a building and depreciates it under the straight line methodology. This results in an annual depreciation rate of 2.5%. The minimum requirement is to report major infrastructure assets acquired in fiscal years ending after June 30, 1980. Therefore, if a retirement system acquired a building after a fiscal year ending June 30, 1980, the cost of the building must be capitalized as a fixed asset and the accumulated depreciation account must be adjusted retroactively. If the reporting requirements of this standard had been applied, the net assets available for benefits would decrease by approximately \$200,000.

NOTE 8 - TRANSFER OF PLAN ADMINISTRATION

Chapter 61 of the Acts of 2009, as amended by Chapter 102 of the Acts of 2009, transferred active members of the county sheriffs' departments in Barnstable, Bristol, Dukes, Norfolk, Plymouth, and Suffolk Counties to the State effective January 1, 2010.

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